



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

November 14, 2003

TO: Representative Helen Sommers, Chair
Representative Barry Sehlin
House Appropriations Committee

Representative Hans Dunshee, Chair
Representative Gary Alexander
House Capital Committee

Representative Ed Murray, Chair
Representative Doug Ericksen
House Transportation Committee

Senator Dino Rossi, Chair
Senator Darlene Fairley
Senate Ways and Means Committee

Senator Jim Horn, Chair
Senator Mary Margaret Haugen
Senate Highways and
Transportation Committee

Representative Jim McIntire, Chair
Senator Jim Horn
LEAP Committee

FROM: Marty Brown 
Director

SUBJECT: The 2003-05 AND 2001-03 RECAST OF THE ACTIVITY INVENTORY

I'm pleased to let you know that new versions of the Agency Activity Inventory, updated to reflect the 2003-05 enacted budget and 2001-03 actual expenditures, are now available in compliance with the 2003-05 appropriations bill. The Activity Inventory is an important tool for the Priorities of Government budgeting approach. Before the state's activities can be thoughtfully prioritized, people need a clear understanding of these activities and their purpose, cost and outcomes. Agencies have worked hard over the last few months to make this information even more useful to the budgeting process.

The inventories are posted on our website at <http://www.ofm.wa.gov/budget/info.htm>. We have also transmitted data tables, which contain more detailed fund and fiscal year information, to LEAP.

Our reports present the activities by both agency and statewide priority. The eleven priorities of government upon which the 2005-07 biennial budgets will be structured are:

1. Improve student achievement in elementary, middle, and high schools
2. Improve the quality and productivity of the workforce
3. Improve the value of a state college or university education
4. Improve the health of Washington citizens
5. Improve the security of Washington's vulnerable children and adults
6. Improve the economic vitality of businesses and individuals
7. Improve statewide mobility of people, goods, information, and energy
8. Improve the safety of people and property
9. Improve the quality of Washington's natural resources
10. Improve cultural and recreational opportunities throughout the state
11. Improve the ability of state government to achieve its results efficiently and effectively

Improvements and Changes

Here are some of the significant changes in the inventory.

- This year we provided guidance to agencies on how to treat administrative costs in the inventory. We asked agencies with more than two activities to distinguish between indirect and overhead administrative costs, to allocate indirect costs to activities, and to show overhead costs as a separate administration activity. We selected this approach because it is consistent with the cost allocation principles that will be used in costing government services for contracting-out analyses. Please refer to our instruction letter to agencies for more information on this topic. <http://www.ofm.wa.gov/budget/spring03actinstructs.pdf>
- For the first time, agencies provided financial data by fiscal year and account. While our system reports have not yet been redesigned to display this information, we have provided the detailed data to LEAP.
- You will see a significant improvement in the quantity and quality of expected results and performance measure information available. We anticipate continued improvements to this data as we implement better system tools and work with agencies to migrate performance information they now capture in other systems into the new activity inventory system.
- Based on feedback from agencies, legislative staff, and OFM analysts, we have refined activity descriptions and split a number of activities into smaller components to aid decision-making and analysis.

Data Caveats and Next Steps

While we are in the process of designing and implementing an automated activity inventory system, we were not able to make this tool available to agencies for their work this fall. The additional data elements, the new administrative cost approach, and the need to develop two biennia worth of data added to the complexity of the update assignment. Even with these challenges, we received data from most agencies in time to do some preliminary data checks. However, there are still elements of the data that need additional review. We will provide you with updated activity inventory information when this review is complete.

- While we reviewed the 2001-03 totals for reasonableness, we have not yet been able to check fiscal year totals against final actual expenditure data. Most of the 2001-03 data for DSHS is not yet broken out by fiscal year.
- We have not yet verified the 2003-05 totals for CTED or DSHS against enacted budget control totals. Dedicated fund detail is not yet available for DOT.
- Agencies were given discretion to identify the statewide result area to which each activity most contributes. We have not completed our review of these assignments and may in the future make some adjustments.

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- Agencies for the most part do not have accounting systems that account for dollars at the activity level or that support the administrative cost approach we selected. These activity costs should be considered best estimates.
- We have done some editing to the data submitted by agencies. Agencies have not yet had a chance to review these edits. We may later identify data entry errors that need to be corrected.

We plan to load all the detailed activity data collected from agencies for this update into our new activity inventory system next spring. This tool will be linked to the budget development systems used by agencies and OFM, and will make it much easier for us to build and recast budgets by activity. The new system will provide a much easier way to update activity description and performance measure information.

If you have any questions about the activity inventory, please contact Lynne McGuire at 360-902-0581 or lynne.mcquiere@ofm.wa.gov.

cc: Victor Moore
Charlie Gavigan
Gene Baxstrom
Randy Hodgins
Michael Groesch
Bob Fitchitt